

M&A Research Report
IBM's Acquisition of Confluent
TMT Sector

April 2026

Transaction Snapshot

Acquirer	International Business Machines Corporation (IBM)
Target	Confluent, Inc.
Announcement Date	8 December 2025
Transaction Value	~\$11.0bn
Consideration	\$31.00 per share, all-cash
Premium to Undisturbed Price	~34% (\$23.14 undisturbed)
Financing	Cash on hand; no new debt or equity issued
Controlling Shareholder Commitment	62% of voting rights committed at signing
Termination Fee	\$453.6m payable by Confluent; no reverse fee
Expected Close	Q1 2026
Regulatory Outlook	Approval expected; Δ HHI +150

Investment Thesis

- **Stack completion.** Confluent's Apache Kafka platform closes the single most significant gap in IBM's hybrid cloud and AI infrastructure, the absence of a commercial-grade, real-time data streaming layer, enabling AI agents on Watsonx to reason over live enterprise data rather than stale batch inputs.
- **Competitive repositioning.** The acquisition narrows IBM's structural gap versus hyperscalers (AWS Kinesis, Azure Event Hubs, Google Pub/Sub), all of whom offer native streaming within their platforms, while preserving IBM's vendor-neutral, multi-cloud differentiation for regulated enterprise clients.
- **Durable financial profile.** Confluent contributes ~\$1.2bn ARR, 90%-plus gross retention, and a high-growth recurring revenue base (~21% YoY), adding financial quality and distribution leverage to IBM's existing \$67.5bn revenue platform.

Key Financials

Implied EV / LTM Revenue	~11.6x (peer median: ~5.0x)
Gross / Net Leverage at Close	3.2x / 3.0x (~\$57.8bn net debt)
Annual FCF (debt paydown capacity)	~\$7.0bn
EBITDA Accretion	Year 1
FCF Accretion	Year 2
Run-Rate Cost Synergies (Base Case)	~\$77m p.a. by Year 3
Revenue Synergy Uplift (Base, Yr 3)	~\$23m p.a.

Strategic Rationale

The transaction completes IBM's hybrid cloud and AI stack. IBM had built around Red Hat OpenShift, HashiCorp automation, and Watsonx, but operated without a native real-time streaming layer throughout; a gap that AWS, Azure, and Google had each closed natively within their own platforms. Confluent's Kafka platform, with 6,500 enterprise clients, 90%-plus gross retention, and ~\$1.2bn ARR, closes that gap directly. For regulated enterprises in banking, government, and healthcare where vendor neutrality and data sovereignty are structural requirements, the combined platform is a materially stronger competitive proposition than existed twelve months ago.

Acquirer Financial Position

IBM enters the transaction from a position of financial strength. FY2025 free cash flow of \$14.7bn and \$14.5bn in cash and marketable securities on the balance sheet supported full cash funding of the \$11.0bn consideration with no new debt or equity issuance. Investment grade credit ratings and the dividend policy are maintained through close, with net leverage of ~3.0x at close supported by a credible deleveraging trajectory crossing 2.5x by Year 2.

Key risks

- **Integration and culture.** IBM must replicate the Red Hat model of operational independence while rationalising Confluent's positioning against Event Streams, MQ, and webMethods to avoid internal channel conflict. The most probable near-term risk and primary driver of synergy delay.
- **Open-source ecosystem.** Confluent's value is inseparable from the Kafka community it co-created. IBM's open-source history is a mitigating factor, but deteriorating developer sentiment could accelerate migration to Redpanda or self-managed Kafka.
- **Hyperscaler competitive response.** AWS MSK, Azure Event Hubs, and Google Pub/Sub will likely respond with accelerated feature development and pricing pressure, most acutely targeting Confluent's cloud-native clients where switching costs are lower.

- **Key person and talent retention.** CEO Jay Kreps's endorsement is a positive signal, but founder and senior engineer departures within 12 to 24 months post-close are common and would slow product development and amplify ecosystem risk.
- **Financial and leverage.** Net debt of \$57.8bn implies ~3.0x leverage at the lower bound of investment grade concern. Following HashiCorp in Q1 2025, balance sheet headroom for further large-scale M&A is limited

Industry Context

The enterprise data streaming market is growing at approximately 20 to 25% annually through 2028, driven by the shift from batch processing to real-time data architectures and rising demand for AI-ready infrastructure. The transaction reflects accelerating consolidation around full-stack platform providers, as enterprises increasingly require streaming to be natively embedded within their cloud and AI environments. Confluent, as the leading independent Kafka platform, was the most strategically significant available asset in this space.

ERG View

The acquisition is strategically compelling and financially defensible. Confluent completes IBM's end-to-end data and AI stack and positions it as a credible full-stack platform provider for the next generation of enterprise computing. The all-cash structure implies a manageable balance sheet with clear deleveraging capacity, and near-term accretion is supported by cost efficiencies. Regulatory approval is anticipated with minimal intervention, with HHI increasing by only 150 points and remaining well below critical thresholds. Provided integration is executed with the discipline IBM demonstrated at Red Hat, ERG's view is positive.

Transaction Structure, Consideration, and Risk Allocation

IBM acquired 100% of Confluent's outstanding equity at \$31.00 per share - a 34% premium paid per share. At the time of the merger, Confluent was trading at \$23.14 per share. This premium reflects a control premium, expected synergies, and competitive positioning, not purely intrinsic value, reflecting Confluent's board assessment that the offer represented fair value for shareholders. Confluent's largest shareholder, who held 62% of voting rights, agreed to commit these shares to IBM. A termination fee of \$453.6m is payable by Confluent to IBM if specified conditions are not met.

This transaction was financed with cash on-hand, meaning that IBM will pay Confluent with no new equity or debt issuance. As for financial capacity and credit profile, IBM looks to maintain their investment grade credit rating and dividend policy even through this transaction.

Special mechanics included in this acquisition include a termination fee set by IBM that is payable by Confluent under specified circumstances. However, there is no reverse termination fee payable by IBM if they decide to walk away from the deal. This designates all financial risk to Confluent if they back out of the deal and allows IBM to exit without any financial penalty in case of certain scenarios.

Structure	100% cash acquisition, no equity or debt issuance
Governance	62% controlling shareholder committed at signing
Termination	\$453.6m fee payable by Confluent; no reverse fee payable by IBM

Sources and Uses of Funds IBM Acquisition of Confluent					
Sources of funds	Amount (\$mm)	% of Total	Uses of funds	Amount (\$mm)	% of Total
Cash on Hand (IBM Balance Sheet)	\$11,000	100.0%	Equity Purchase Price (100% Cash)	\$10,780	98.0%
Short-Term Marketable Securities	-	-	Estimated Transaction Fees & Costs	\$150	1.4%
New Debt Issuance	-	-	Financing Fees	-	-
Equity Issuance	-	-	Cash to Balance Sheet / Excess	\$70	0.6%
Total Sources	\$11,000	100.0%	Total Uses	\$11,000	100.0%

Total debt at close

IBM existing debt pre-deal	\$61,300
plus Confluent debt	\$1,100
minus Debt Repaid IBM	\$5,800
total debt at close	\$56,600

Net Debt

Cash on Balance Sheet after close	\$3,500
Net Debt	\$53,100

Leverage Ratio

Combined EBITDA	18,445
Gross Leverage	3.2
Net Leverage	3.0

Interest Cost and Coverage

Interest Rate on Debt	4.8%
Annual Interest Expense	\$2,803
Interest Coverage	6.6

How Debt Declines (Next 5 Years using FCF)

Annual Free Cash Flow		\$	7,000	\$	7,000	\$	7,200	\$	7,500		\$8,000
Less: dividends paid yearly		\$	2,000	\$	2,000	\$	2,000	\$	2,000	\$	2,000
Less: debt paid down yearly		\$	3,000	\$	3,000	\$	3,000	\$	3,000	\$	3,000
Opening gross debt (start of year)	\$56,600		\$56,600		\$53,600		\$50,600		\$47,600		\$43,600
Closing Gross Debt (EOY)			\$53,600		\$50,600		\$47,600		\$44,600		\$40,600
Residual FCF	-		\$2,000		\$2,000		\$2,200		\$2,500		\$3,000

Market Definition and Industry Overview

The relevant market for this transaction is the enterprise data streaming and event streaming platform market, a segment within the broader cloud data infrastructure ecosystem. This market includes platforms that enable real-time data ingestion, processing, and distribution across enterprise systems, forming a critical layer for modern analytics and artificial intelligence applications.

While adjacent markets include data integration and analytics platforms, regulators are likely to focus more narrowly on event streaming platforms, where competitive dynamics are more clearly defined and directly impacted by the transaction.

The industry is experiencing strong structural growth, driven by the shift from batch processing to real-time data architectures and the increasing importance of AI workloads.

Industry estimates suggest a compound annual growth rate (CAGR) of approximately 20–25% (2024–2028), supported by rising enterprise demand for low-latency data infrastructure and continued cloud adoption. This high-growth environment reduces regulatory concern, as expanding markets are less likely to result in durable monopolistic outcomes.

Competitive Landscape

The market is dominated by a combination of hyperscale cloud providers and independent software platforms.

Key competitors include:

- Confluent
- Amazon Web Services (Kinesis, MSK)
- Microsoft Azure (Event Hubs)
- Google Cloud Platform (Pub/Sub)
- IBM (Event Streams)

Smaller players including Redpanda and open-source Kafka deployments.

The competitive structure can be divided into two primary groups:

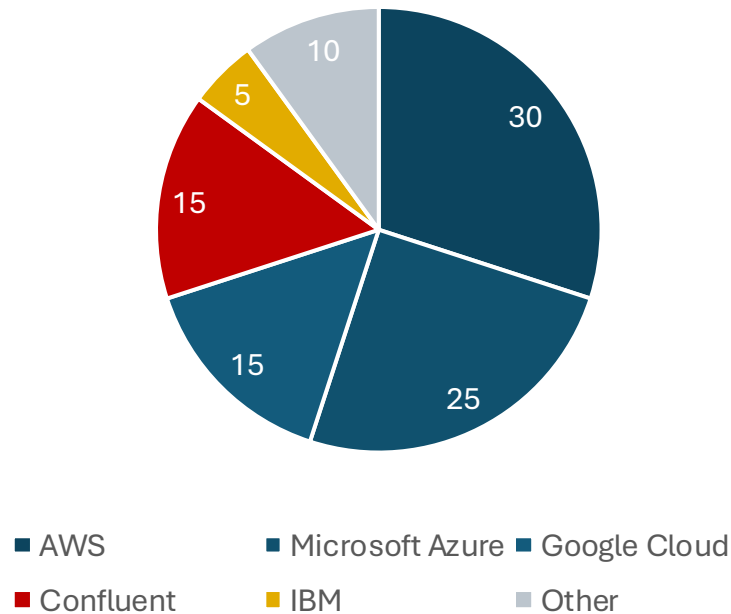
- Hyperscalers (AWS, Azure, Google) benefit from scale, integrated ecosystems, and the ability to bundle streaming services with broader cloud offerings.
- Independent platforms (Confluent) differentiate through Kafka-based, vendor-neutral architectures and cross-cloud operability, making them attractive to enterprises seeking flexibility.

IBM operates as a hybrid provider but lacks scale in streaming prior to the acquisition.

Market Share Estimates

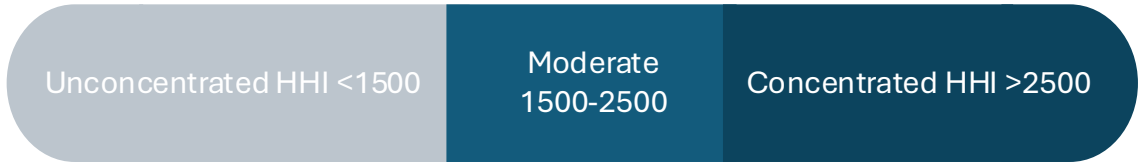
Due to limited direct disclosures, market shares are estimated based on cloud platform scale, enterprise adoption, and available revenue indicators.

Market Share



These estimates reflect the dominance of hyperscalers, with Confluent as the leading independent provider.

HHI Analysis



Pre-merger HHI:

$$HHI = 30^2 + 25^2 + 15^2 + 15^2 + 5^2 + 10^2 = 2,100$$

Post-merger HHI:

IBM (5%) and Confluent (15%) combine to 20%

$$HHI = 30^2 + 25^2 + 15^2 + 20^2 + 10^2 = 2,250$$

Change in HHI:

$$\Delta HHI = 150$$

DOJ / FTC Threshold Comparison

According to the U.S. Department of Justice Horizontal Merger Guidelines:

- HHI < 1,500 → Unconcentrated
- HHI 1,500–2,500 → Moderately concentrated
- HHI > 2,500 → Highly concentrated

The market is **moderately concentrated both before and after the merger**, with a relatively modest increase in HHI (+150). Transactions typically raise regulatory concern when increases exceed approximately 200 in already concentrated markets. As a result, this transaction does not trigger major structural red flags.

Barriers to Entry

The data streaming market exhibits moderate to high barriers to entry.

Barrier	Driver
Technical Complexity	Scalable, low-latency infrastructure requires advanced engineering depth
Ecosystem Effects	Apache Kafka is the industry standard; developer adoption creates strong network effects
Switching Costs	Streaming infrastructure becomes deeply embedded post-integration; migration is costly
Distribution Advantage	Hyperscalers bundle streaming with broader cloud offerings and leverage existing enterprise relationships

Despite these barriers, competition remains strong due to the presence of multiple large, well-capitalized firms.

Regulatory Precedent

A relevant precedent is IBM’s acquisition of Red Hat in 2019. Despite its scale, the transaction was approved with minimal conditions, as regulators determined that the market remained competitive and that open-source dynamics limited concentration risk.

In contrast, Adobe’s proposed acquisition of Figma in 2023 was blocked due to the elimination of a direct competitor in a more concentrated market. The IBM–Confluent transaction differs in that IBM is not a dominant player in the relevant market and multiple strong competitors remain post-merger.

Regulatory Assessment and Conclusion

The transaction is unlikely to face significant regulatory challenge.

Key supporting factors include:

- Moderate market concentration post-merger
- Limited increase in HHI (+150)
- Strong competition from hyperscalers
- High industry growth

Potential concerns, such as the reduction of an independent provider or bundling within IBM’s ecosystem, are mitigated by the continued presence of large, well-capitalized competitors.

Overall, the deal is likely to be approved with minimal regulatory intervention, consistent with precedent in enterprise software markets.

IBM's Strategic Position and the Gap

IBM spent six years reshaping itself around hybrid cloud and AI. The 2019 acquisition of Red Hat for \$34 billion placed Red Hat OpenShift at the centre of that strategy. By 2023, every IBM business unit existed to extend, implement, or deliver either OpenShift or Watsonx, IBM's AI platform. By Q1 2024, Watsonx had cleared \$1 billion in revenue, with IBM targeting roughly \$12 billion in free cash flow for the full year.

The 2025 HashiCorp acquisition extended the strategy further, automating and securing the infrastructure layer for hybrid cloud and generative AI applications. By that point, approximately 75% of IBM's business sat in Software and Consulting.

Although there remained a missing component for optimality. Watsonx.data and watsonx.ai ran on ETL pipelines and batch ingestion, with no native real-time streaming. That matters because AI agents are only as good as the data they reason over. Stale data produces unreliable outputs. AWS has Kinesis and MSK, Google has Pub/Sub and Dataflow, and Microsoft has Event Hubs and Fabric. All three are built into their respective platforms. IBM had none of that. TechTarget identified Confluent as the direct fix for this gap. Futurum Research described IBM's \$11 billion commitment as a public acknowledgment that running open-source Apache Kafka without a commercial-grade managed layer was not competitive at enterprise scale.

Confluent's Strategic Value to IBM

Confluent is the leading commercial platform built on Apache Kafka, the open-source standard for real-time data streaming. More than 150,000 organisations run Kafka in some form, including roughly 80% of Fortune 100 companies. Confluent's platform covers data streaming, stream processing, stream governance, connectors, and cloud-native deployment options including Confluent Cloud and WarpStream.

Confluent's Strategic Value to IBM (cont.)

The financial profile reflects how central Confluent has become to its clients' operations. Gross retention sat above 90% as of Q1 2025. Annualised recurring revenue reached approximately \$1.2 billion by Q3 2025. Clients rarely leave once their data pipelines run on Confluent. In Q4 2023, Forrester ranked Confluent ahead of Oracle, Amazon, and Cloudera in its Streaming Data Platforms Wave.

Before IBM's approach, Confluent was reportedly exploring a sale after drawing interest from both technology firms and private equity. With Salesforce moving to acquire Informatica and Databricks announcing a structured streaming product in October 2025, IBM moved before potential competing bidders did.

Strategic Fit with IBM's Existing Stack

The most direct integration point is Watsonx. IBM intends to embed Confluent's streaming technology into its AI studio, giving developers the ability to build AI agents that reason over live enterprise data. Retrieval-Augmented Generation depends on the freshness of the data it retrieves. Batch ingestion produces stale context. Confluent's Kora engine delivers continuous, low-latency data feeds into AI models.

The fit with Red Hat OpenShift is structural. Confluent already runs natively on Kubernetes environments, so integration with OpenShift requires no fundamental re-architecture. That gives IBM a streaming layer that operates consistently across on-premises infrastructure and multiple public clouds. Hyperscaler-native tools are built for their own cloud environments and create friction in hybrid deployments. IBM's solution does not have that constraint.

The Complete Platform

The three acquisitions form an end-to-end stack:

Layer	Technology	Function
Infrastructure	HashiCorp	Handles provisioning and security automation
Application	Red Hat OpenShift	Manages container orchestration and hybrid cloud runtime
Data Transport	Confluent	Powers real-time event streaming and data pipelines
AI and Analytics	Watsonx	Delivers enterprise AI models, agents, and analytics

No hyperscaler offers this combination on a vendor-neutral basis. For regulated enterprises in banking, government, and healthcare, where cloud lock-in carries compliance and operational risk, that is a structurally different proposition.

Competitive Positioning Impact

The acquisition changes IBM's competitive position in concrete ways:

Competitor	Native Streaming	IBM Differentiator
AWS	Kinesis, MSK	IBM offers vendor-neutral, multi-cloud deployment
Microsoft Azure	Event Hubs, Fabric	IBM's open Kafka architecture avoids lock-in
Google Cloud	Pub/Sub, Dataflow	IBM serves operational real-time workloads, not analytics only

IBM moves from a partial AI infrastructure provider to a full-stack, real-time platform. The competitive gap with hyperscalers narrows, while the hybrid-cloud position stays intact for clients that will not consolidate onto a single cloud provider.

Pricing Power

Confluent sits at the centre of enterprise data flows. Once deployed, connecting applications, databases, and AI pipelines, replacing the streaming layer carries substantial operational risk and migration cost. That structural position supports premium pricing and reduces churn, as the 90%-plus gross retention rate reflects.

Scale

IBM's global sales infrastructure and consulting practice give Confluent a significantly larger distribution channel. Embedding Confluent within Watsonx deployments increases contract value per AI engagement. OpenShift clients running hybrid workloads are a natural upgrade path. IBM's consulting work in financial services, healthcare, and government reaches large organisations with real-time data requirements that Confluent addresses directly.

Intellectual Property and Ecosystem

Confluent's proprietary Kora engine delivers better throughput, durability, and latency than self-managed Kafka. The established developer ecosystem and connector library give IBM durable technical differentiation at a critical layer of enterprise infrastructure.

The Do-Nothing Scenario

Not acquiring Confluent would have created three concrete problems:

First, Confluent was actively being pursued. A hyperscaler acquisition would have deepened their existing advantages and widened IBM's streaming gap at exactly the moment real-time AI workloads are becoming standard.

Second, IBM would have remained dependent on batch architectures for its AI platform. Industry analysts were already attributing competitive losses to this gap.

Third, building organically was not a realistic alternative on a competitive timeline. Matching Confluent's product depth, enterprise trust, and developer ecosystem would take years without any guarantee of adoption. The \$11 billion acquisition delivers an established platform with \$1.2 billion in ARR and an existing Fortune 100 client base.

Strategic Conclusion

Acquiring Confluent completes IBM's end-to-end data and AI stack, strengthens its position against hyperscalers, and adds durable financial value through recurring revenue, pricing power, and distribution leverage. For IBM's target clients in regulated industries, where data sovereignty, hybrid deployment, and vendor independence are requirements rather than preferences, this positions IBM as a credible full-stack platform provider for the next generation of enterprise computing.

Approach

This section evaluates the financial implications of IBM's acquisition of Confluent using a structured, assumption-based modelling framework. The analysis proceeds in three stages:

1. establishing standalone financial profiles for both companies;
2. identifying and quantifying cost, revenue, and integration synergies across defined categories;
3. stress-testing outcomes across low, base, and high scenarios to assess the impact on EBITDA and free cash flow.

IBM has guided to EBITDA accretion in the first full year post-close and free cash flow accretion from the second year, and the modelling framework is constructed to evaluate the credibility of those targets. All assumptions are explicitly stated and, where possible, benchmarked against IBM's prior integration of HashiCorp and comparable enterprise software transactions. Both IBM and Confluent are publicly listed entities with audited financials; projections are therefore anchored to disclosed FY2025 results and, where available, S&P consensus estimates.

Standalone Financial Profiles

IBM is a well-established, cash-generative technology company. For FY2025, IBM reported revenue of \$67.5 billion and free cash flow of \$14.7 billion, with \$14.5 billion of cash and marketable securities on the balance sheet (IBM, 2026). Growth is primarily driven by its software and data segments, with software revenue increasing by 11% year-on-year (IBM, 2026).

In contrast, Confluent represents a high growth but currently unprofitable business. In FY2025, Confluent generated \$1.167 billion of revenue, with subscription revenue accounting for 96% of the total (Confluent, 2026). The company reported gross profit of \$866.8 million (74% margin) but remained loss-making, with an operating loss of \$380.1 million (Confluent, 2026). Operating expenses are heavily weighted toward growth, particularly sales and marketing (\$592.5 million) and research and development (\$481.7 million), alongside general and administrative costs of \$172.7 million (Confluent, 2026).

Standalone Financial Profiles (cont.)

These contrasting profiles underpin the rationale for the transaction: IBM provides scale, profitability and distribution, while Confluent contributes high-growth data infrastructure capabilities.

Synergy Identification**Cost Synergies**

Cost synergies are expected to arise primarily from overlapping operational functions. IBM has highlighted "operational efficiencies" as a key benefit of the transaction (IBM, 2025). In practice, these efficiencies are most likely to come from consolidation of corporate overhead, elimination of public company costs, and partial integration of sales and marketing functions.

Confluent's FY2025 cost base provides a useful benchmark. Sales and marketing expenses totalled \$592.5 million, while general and administrative costs were \$172.7 million (Confluent, 2026). These areas represent the most realistic sources of cost savings, as core research and development activities are likely to be preserved given their strategic importance.

Cost synergies are therefore modelled as a percentage of Confluent's combined sales and marketing and G&A expense base.

Revenue Synergies

Revenue synergies are more uncertain but remain strategically important. IBM stated that the acquisition will create product synergies across its AI, automation and data platforms, supported by its global market capabilities (IBM, 2025).

The primary drivers of revenue synergies are expected to include cross-selling Confluent's platform to IBM's enterprise clients, bundling its technology into broader cloud and AI solutions, and leveraging IBM Consulting to accelerate adoption. However, given the uncertainty around execution, these benefits are assumed conservatively and phased in progressively.

Integration Costs and Timeline

Integration costs are assumed to be front-loaded and include restructuring costs, systems integration, advisory fees and retention incentives. While IBM has not disclosed a specific integration budget, IBM’s guidance that free cash flow improves only from the second year suggests that integration costs are significant in the early stages (IBM, 2025).

Synergies are assumed to ramp up gradually, reaching full run-rate over approximately three years, while integration costs are concentrated in the first two years.

Scenario Analysis

To reflect uncertainty in execution, three scenarios are developed based on varying levels of synergy realisation and integration costs.

Scenarios	Cost Synergies	Revenue Synergies	Integration Costs
Low	5% of S&M + G&A	1%	High
Base	10% of S&M + G&A	2%	Moderate
High	15% of S&M + G&A	3%	Low

Using Confluent’s FY2025 cost base, sales and marketing plus G&A total approximately \$765 million. This implies annual cost synergies of approximately \$38 million in the low case, \$77 million in the base case, and \$115 million in the high case. Based on FY2025 revenue of \$1.167 billion, revenue synergies range from approximately \$12 million to \$35 million by Year 3 (Confluent, 2026).

Impact on EBITDA and Cash Flow

Cost synergies directly improve EBITDA by reducing operating expenses. In the base case, cost savings of approximately \$77 million would significantly narrow Confluent’s operating losses and enhance the combined entity’s margin profile.

Revenue synergies contribute to EBITDA through revenue growth, although their impact is more gradual due to ramp up effects and associated costs. In contrast, integration costs negatively affect free cash flow in the short term, offsetting some of the initial gains from cost efficiencies.

IBM’s guidance aligns with this pattern, indicating EBITDA accretion in the first full year and free cash flow accretion from the second year onwards (IBM, 2025). This reflects a typical M&A profile in which early operational improvements are followed by longer-term benefits.

Conclusion

The acquisition of Confluent by IBM presents a credible opportunity for value creation, supported by both strategic fit and financial logic. Cost synergies represent the most reliable source of value in the near term, driven by IBM’s ability to absorb overhead and optimise operating structures. Revenue synergies provide additional upside but are subject to greater uncertainty and should be modelled conservatively.

Overall, the base case scenario appears the most realistic, delivering meaningful improvements in EBITDA and longer-term cash flow. The success of the transaction will ultimately depend on effective integration and IBM’s ability to use its scale to accelerate Confluent’s growth.

	Low	Base	High
Cost Synergies	~\$38m	~\$77m	~\$115m
Revenue Uplift (Yr 3)	~\$12m	~\$23m	~\$35m
FCF Accretion	Year 3	Year 2	Year 2

Comparable Company Analysis

Core peers—Snowflake, MongoDB, Elastic, and GitLab—share Confluent’s open-source roots, cloud-native SaaS model, and land-and-expand strategy. Adjacent comps (Datadog, Dynatrace, Twilio) target similar buyers with comparable retention dynamics. CrowdStrike sets the high-multiple ceiling; PagerDuty the low-growth floor. Informatica is the closest enterprise data comp, though now private.

Confluent traded at 8.7× LTM revenue vs a 5.0× peer median, justified by ~21% growth and its dominant Kafka position. EBITDA/EBIT multiples are excluded due to widespread negative profitability.

Company	TEV/LTM Rev	TEV/NTM Rev	Forward P/E
Snowflake	11.8x	9.4x	94.0x
MongoDB	7.6x	6.4x	44.8x
Elastic	2.9x	2.6x	19.9x
Informatica	4.8x	NA	NA
Datadog	12.0x	10.0x	57.8x
Dynatrace	5.3x	4.6x	21.0x
Twilio	3.4x	3.1x	22.9x
GitLab	2.7x	2.3x	28.2x
CrowdStrike	20.6x	16.8x	84.2x
PagerDuty	1.1x	1.1x	5.5x
Peer Median	5.0x	4.6x	28.2x
Confluent (actual)	8.7x	7.4x	62.8x

CCA Implied Valuation

Multiple	Low	Median	Mean	High	Weight
TEV / LTM Revenue	\$6.27	\$19.10	\$26.23	\$70.02	Primary anchor
TEV / NTM Revenue	\$6.92	\$20.39	\$26.74	\$67.49	Primary anchor
Forward P/E	\$2.68	\$23.10	\$20.59	\$46.07	Supporting
Unlevered FCF	\$5.43	\$14.37	\$17.76	\$38.43	Supporting
TEV / Total Assets	\$7.25	\$21.40	\$32.71	\$77.46	Supporting
IBM Acquisition Price	—	\$31.00	—	—	34% premium to median

Both revenue multiples produce the same rough answer: median implied price \$19-\$20, mean \$26-\$27, the gap driven by the high-multiple names at the top of the peer set. IBM paid \$31.00, which is 34% above the median and sits between the mean and 75th percentile. This premium is a standard control premium for a strategic deal with credible synergies.

Discounted Cash Flow Model - Assumptions

A five-year unlevered FCF model covering FY2026–FY2030. Terminal value is based on an EBITDA exit multiple rather than a Gordon Growth Model; a perpetuity growth rate is not a sensible anchor for a company that won't turn profitable until FY2028.

WACC of 12.1% is built from a 4.25% risk-free rate (10-year Treasury rate), 6.25% equity risk premium, and a beta of 1.45 taken from the peer median. Revenue follows S&P consensus through FY2028, then extrapolates at a decelerating rate in line with the FY2022–FY2025 trend. EBITDA margins run from -18.0% in FY2026 to +16.0% by FY2030; aggressive relative to where Confluent is today, but consistent with where MongoDB and GitLab were at comparable revenue stages. D&A is declining slightly before stabilising at \$30M; working capital assumed close to neutral, consistent with the FY2023–FY2025 average and the structural benefit of upfront subscription billing. Terminal multiple is 16.9x, well below the peer median of 32.5x.

Projected Cash Flows (USD \$M)

FY2026–FY2028 revenue anchored to consensus; FY2029–FY2030 extrapolated. The EBITDA ramp from -18% to +16% over five years mirrors the past trajectory of peers at equivalent scale. FCF turns positive in FY2028 and reaches \$334M by FY2030.

(USD \$M)	FY2025A	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E
Total Revenue	1,167	1,379	1,590	1,850	2,201	2,597
YoY Growth	21.1%	18.2%	15.3%	16.4%	19.0%	18.0%
EBITDA	(338)	(248)	(127)	37	220	416
EBITDA Margin	(29.0%)	(18.0%)	(8.0%)	2.0%	10.0%	16.0%
D&A	(30)	(26)	(26)	(30)	(30)	(30)
EBIT	(368)	(274)	(153)	7	190	386
Tax (effective rate)	1.5%	10.5%	12.1%	5.3%	20.0%	20.0%
Unlevered Net Income	(362)	(245)	(134)	7	152	309
+ D&A	30	26	26	30	30	30
– CapEx	(4)	(7)	(7)	(8)	(9)	(11)
± Working Capital	(20)	15	4	4	5	6
Unlevered FCF	(357)	(212)	(112)	33	178	334
PV of FCF	—	(189)	(89)	23	113	188

Base Case Result

Base case (12.1% WACC, 16.9x terminal multiple) gives an implied share price of \$9.10, a 70% discount to IBM's \$31.00. The bridge: PV of forecast FCFs \$46M + PV of terminal value \$3,967M = EV \$4,013M, less net debt \$758M = equity value \$3,255M.

Sensitivity Analysis (Implied Share Price)

Across the full range tested, implied prices run from \$7.69 to \$16.80. Nothing in the sensitivity table gets close to \$31.00. That is not a modelling failure, it reflects what a DCF does to pre-profitability companies with back-loaded cash flows

Limitations of the DCF

Three issues are worth flagging directly rather than burying in footnotes. First, 99% of enterprise value sits in the terminal value. At that point the DCF is essentially just the exit multiple applied to FY2030 EBITDA with extra steps; less transparent than the CCA and no more reliable.

Second, the implied perpetuity growth rate is 7.0%, above nominal GDP of roughly 4.5%. This means the 16.9x terminal multiple is internally inconsistent with the 12.1% WACC at Confluent's FY2030 FCF level. A ten-year model would resolve it; a five-year model cannot.

Third, there are no S&P consensus EBITDA estimates for Confluent beyond FY2025. The entire margin ramp is our own judgement, which is the single biggest source of model risk.

The DCF is a floor, not a price target. The CCA is the better anchor here.

Valuation Synthesis and Offer Price Assessment

Confluent's pre-announcement price of ~\$23 implied 8.7x LTM revenue, above the peer median but justified by its growth rate. IBM paid \$31.00, implying roughly 11.6x LTM revenue at acquisition, which sits within the range of comparable software deals.

Valuation Synthesis and Offer Price Assessment (cont.)

The DCF gives \$9.10, though the number has a known problem: the 16.9x terminal multiple implies a perpetuity growth rate of around 7.0%, which is above the nominal GDP assumption embedded in the WACC. The terminal value and the discount rate are not consistent with each other. The gap to IBM's \$31.00 is still structural rather than a modelling error; five-year DCFs tend to underprice high-growth companies because most of the value lands outside the forecast window.

IBM's \$31.00 is defensible. The control premium is in line with comparable transactions, the strategic rationale around Confluent's Kafka position within IBM's hybrid cloud stack is clear, and the price falls within the upper band of the CCA range.

WACC \ Terminal Multiple	14.9x	15.9x	16.9x	17.9x	18.9x	25.0x
10.1%	\$9.44	\$10.15	\$10.87	\$11.59	\$12.31	\$16.80
11.1%	\$8.96	\$9.65	\$10.34	\$11.02	\$11.71	\$15.90
12.1%	\$8.52	\$9.17	\$9.87	\$10.53	\$11.19	\$15.10
13.1%	\$8.09	\$8.72	\$9.35	\$9.97	\$10.60	\$14.30
14.1%	\$7.69	\$8.29	\$8.89	\$9.49	\$10.09	\$13.60

Below we have modelled projected pro forma financial impact on net income with 2 key analytical judgements in the model:

1. Revenue base for Confluent – the model uses LTM figures for Confluent, consistent with Confluent’s CY2025. Revenue synergies are deliberately conservative at \$30m in Year 1 – the IBM consulting cross-sell opportunities is real but will only materialise in 18-24 months through contracts.

2. Integration costs are benchmarked to HashiCorp – IBM’s CFO claimed they absorbed more than \$300m of dilution from HashiCorp. This gives an anchor: Confluent is a larger and more complex integration so \$350m in Y1 integration costs is conservative but grounded.

EBITDA (\$bn)	IBM FY2025	Confluent LTM	Synergies / Adjustments	Pro Forma Combined
IBM Adj. EBITDA	19.2	-	-	19.2
Confluent Non-GAAP EBITDA	-	0.10	-	0.10
Cost synergies – (G&A / infra overlap)	-	-	0.15	0.15
Revenue synergy EBITDA flow-through	-	-	0.02	0.02
Total	19.2	0.10	0.17	19.47

Revenue (\$bn)	IBM FY2025	Confluent LTM	Synergies / Adjustments	Pro Forma Combined
IBM Software	32.4	-	-	32.4
IBM Consulting	21.5	-	-	21.5
IBM Infrastructure + Other	13.6	-	-	13.6
Confluent	-	1.17	-	1.17
Revenue synergies (base case)	-	-	0.03	0.03
Total	67.5	1.17	0.03	68.70

Debt and interest	Amount	Rate / Term	Annual Interest
Total new debt	0		\$0.428B
Existing IBM total debt (FY2025 year-end)	\$61.3 bn	~4.8% blended	\$2.94bn
Total debt post close	\$61.3 bn	~4.8% blended	\$2.94bn

From EBITDA to Net Income (\$bn)	IBM FY2025	Confluent LTM	Synergies / Adjustments	Pro Foma Combined
Pro Foma Adj. EBITDA	19.2	0.10	0.17	19.47
D&A – IBM standalone	(3.8)	-	-	(3.8)
D&A – Confluent intangibles	-	-	(0.55)	(0.55)
EBIT	-	-	-	15.12
Stock-based compensation	(1.9)	(0.30)	(0.10)	(2.30)
Integration costs	-	-	(0.35)	(0.35)
Operating Profit (post-adj)	-	-	-	12.47
Existing IBM net interest expense	(1.35)	-	-	(1.35)
Incremental interest – new Confluent debt	-	-	0	0
Pro Foma Pre-Tax Income	-	0.33	0.97	11.12
Income Tax provision (~15.00% effective rate)	-	0.05	0.15	(1.67)
Pro Foma Net Income	10.6	(0.28)	(0.82)	9.45

EPS

IBM standalone FY2025 EPS	\$11.17	\$11.59
Confluent net income contribution (annualised)	-\$0.38bn / ~948.7m shares	+\$86.1m / ~948.7m shares
Incremental interest cost on \$11bn (est. ~4%)	-\$440m pre-tax / ~948.7m shares	-\$440m pre-tax / ~948.7m shares
Purchase price accounting (deferred rev. adj.)	~-\$0.40 (est., Yr 1 only)	Excluded (non-GAAP add-back)
Pro Foma EPS (pre-synergies, Yr 1)	~\$10.37 (dilutive, -7.2%)	~\$11.68 (accretive, +0.8%)
Pro Foma EPS (with base-case synergies, Yr 2+)	~\$10.75 (dilutive, -3.8%)	~\$12.01+ (accretive, +3.6%)

On a GAAP basis, the acquisition is dilutive in Year 1 by approximately 7%. This is driven by three forces acting simultaneously.

First, Confluent itself was GAAP loss-making at the operating level - its FY2025 GAAP operating loss was \$380.1m, predominantly from stock-based compensation (\$380m+) and acquired intangible amortisation.

Secondly, the \$11bn cash outflow generates an interest cost, since IBM sacrificed the return, it would otherwise have earned on that cash. At an assumed rate of approximately 4%, this represents ~\$440m of annual pre-tax cost.

Third, purchase price accounting requires IBM to write down Confluent's deferred revenue balance to fair value at close, suppressing Year 1 reported revenue by an estimated amount. IBM experienced ~\$0.85 of EPS dilution from this adjustment alone following the Red Hat acquisition close in 2019, and a broadly similar effect should be modelled here.

On a non-GAAP (operating) basis, the picture is materially different and immediately accretive. Confluent contributed \$86.1m of non-GAAP operating income in FY2025. Against IBM's 948.7m diluted shares, the ~\$74.5m of after-tax non-GAAP income adds approximately \$0.08 of EPS, taking pro forma non-GAAP EPS to ~\$11.68 in Year 1 - accretive by approximately 0.8% before any synergies.

Post-Deal Leverage Trajectory (4-Year)

IBM's post-acquisition net debt position of \$57.8bn - derived from \$61.3bn total debt less \$14.5bn cash, plus the \$11bn Confluent consideration - implies a combined Net Debt / EBITDA ratio of approximately 3.0x at close. This is at the lower bound of investment-grade credit concern for a technology issuer at IBM's A-/A3 rating level. The key question is how quickly IBM can delever back to a more comfortable sub-2.5x position.

Metric (\$bn unless stated)	Close (2026)	Yr 1 (2027)	Yr 2 (2028)	Yr 3 (2029)	Yr 4 (2030)
Opening Net Debt	\$57.8	\$57.8	~\$52.7	~\$47.6	~\$42.6
FCF Available for Debt Repayment (est.)	—	~\$5.1*	~\$5.1*	~\$5.0*	~\$5.0*
Closing Net Debt	\$57.8	~\$52.7	~\$47.6	~\$42.6	~\$37.6
Pro Forma Combined EBITDA (growing ~5% p.a.)	~\$19.3	~\$20.3	~\$21.3	~\$22.3	~\$23.5
Net Debt / EBITDA	~3.0x	~2.6x	~2.2x	~1.9x	~1.6x
vs. Investment-Grade Threshold (~3.0–3.5x)	At threshold	Improving	Comfortable	Comfortable	Strong

The trajectory shows leverage declining from 3.0x at close to approximately 1.6x by Year 4 (2030), crossing the 2.5x comfort threshold in Year 2 (2028) and approaching IBM's historical leverage range of 1.5–2.0x by the end of the projection window. This is a credible deleveraging path given IBM's \$14.7bn FCF and confirms that the financial risk identified in Section 9 is manageable provided execution on synergies and Confluent's growth trajectory remains approximately on track.

EBITDA Margin Analysis: Pre-Deal vs Post-Deal

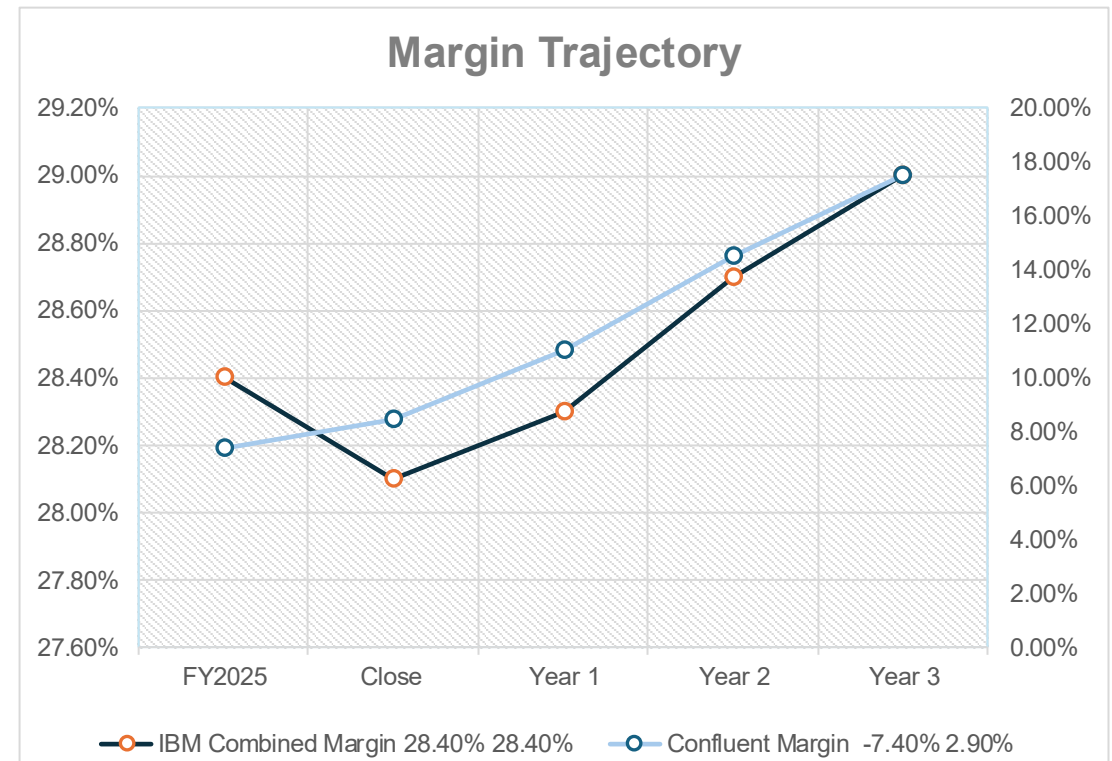
Despite acquiring a business with a higher gross margin than IBM's own (Confluent ~70% vs IBM ~58%), the combined EBITDA margin is actually marginally lower than IBM's standalone. The explanation lies in Confluent's EBITDA margin, which at 7.4% non-GAAP is far below IBM's ~28.4%.

Margin Analysis	IBM Standalone	Confluent Standalone	Pro Forma Combined
Revenue	\$67.5bn	\$1.17bn	\$68.7bn
Adjusted EBITDA	~\$19.2bn	\$86.1m	~\$19.3bn
EBITDA Margin (pre-deal)	~28.4%	7.4%	~28.1%
EBITDA Margin (with base synergies, Yr 2)	—	—	~28.5–29.0%
Gross Margin	58.2%	~70.3%	~58.4%
Non-GAAP Operating Margin	18.8%	7.4%	~18.5%

Confluent's high gross margin reflects the economics of a software-only business with minimal cost of goods sold - it does not pass significant infrastructure costs through to cost of revenue. However, Confluent invests heavily in sales and marketing and R&D relative to its revenue base, which compresses EBITDA to 7.4%. When a \$1.17bn, 7.4%-EBITDA-margin business is bolted onto a \$67.5bn, 28.4%-EBITDA-margin business, the combined result is inevitably pulled down toward the smaller business's margin, though the effect is modest given Confluent's small relative size.

The combined EBITDA margin at close is therefore approximately 28.1% - a deflation of approximately 30 basis points versus IBM's standalone. This, however, is the expected short-term cost of acquiring a high-growth, pre-scale software business. The more important dynamic is the margin trajectory. Confluent's non-GAAP operating margin expanded from -7.4% in FY2023 to 2.9% in FY2024 to 7.4% in FY2025. If this improvement continues at a more moderate pace - say 3-4 percentage points per year - Confluent's EBITDA margin reaches 14-18% by Year 2-3, at which point its dilutive effect on the combined margin reverses and becomes marginally accretive.

On an industry comparison basis, IBM's combined non-GAAP operating margin of ~18.5% remains above the enterprise software peer median of approximately 15-17% (Microsoft ~45%, Salesforce ~30%, ServiceNow ~27%, and lower-margin hybrid peers such as HPE at ~12%). The acquisition does not weaken IBM's relative margin positioning materially, and with synergies the combined entity should maintain or modestly expand non-GAAP operating margins relative to FY2025 IBM standalone.



IBM paid an 11-figure all-cash consideration for a business growing at 21% annually, committing to EBITDA accretion in Year 1 and FCF accretion in Year 2. These targets are achievable in the base case but leave limited room for execution error. Five principal risk categories are identified below.

Integration & Culture Risk

IBM's prior acquisitions present a mixed integration record. The Red Hat model - operational independence, cultural autonomy, open-source stewardship - is the template IBM must replicate with Confluent. IBM must also rapidly rationalise Confluent's product positioning alongside IBM Event Streams, MQ, and webMethods to avoid internal channel conflict and customer confusion. Integration friction is the most probable near-term risk and directly connects to the synergy delay modelled in Scenario A.

Open-Source Ecosystem Risk

Confluent's commercial value is inseparable from the Apache Kafka ecosystem it co-created and continues to dominate in terms of code contribution. The developer community has expressed concern that IBM's scale and profit imperative could divert Confluent's engineering focus toward proprietary IBM-specific features. IBM's 25-year open-source history and Linux/OpenShift stewardship are mitigating factors, but the tension between monetising an \$11 billion investment and maintaining community trust is structural. Deteriorating developer sentiment could accelerate migration to Redpanda (now Snowflake-backed) or self-managed Kafka among cloud-native customers.

Hyperscaler Competitive Response

AWS MSK, Azure Event Hubs for Kafka, and Google Pub/Sub will likely respond to IBM's consolidation with accelerated feature development and pricing pressure. The risk is most acute for Confluent's cloud-native customer segment. They are not embedded in IBM's hybrid infrastructure and therefore face lower switching costs. IBM's differentiated position in mainframe and hybrid-cloud environments provides partial insulation, but any belief that Confluent's multi-cloud neutrality is compromised under IBM ownership will accelerate evaluation of alternatives.

Key Person & Talent Retention Risk

CEO Jay Kreps's public endorsement of the deal is a positive signal, but post-acquisition departures of founders and senior engineers are common. Meaningful attrition within 12–24 months post-close would slow product development, reduce open-source contribution velocity, and amplify the ecosystem risk above.

Financial & Leverage Risk

IBM funded the \$11bn acquisition entirely from cash. On 31 December 2025, IBM held \$14.5bn in cash and carried \$61.3bn in total debt - a pre-acquisition net debt position of \$46.8bn. Adding the \$11bn outflow raises post-acquisition net debt to \$57.8bn. Against IBM's FY2025 adjusted EBITDA of ~\$19.2bn and Confluent's ~\$105m contribution, the combined leverage ratio is approximately 3.0x - at the lower bound of investment-grade credit concern.

IBM's \$14.7bn FCF (highest in over a decade) is the primary mitigant, but this acquisition follows the HashiCorp acquisition (\$6.4bn, closed Q1 2025) and leaves limited balance sheet headroom for further large-scale M&A. Purchase price accounting will also suppress Confluent's reported Year 1 revenue, primarily due to adjustments to deferred revenue. Reported figures may understate the company's underlying performance, as reflected in ARR - consistent with IBM's experience following the Red Hat close, where deferred revenue adjustments created approximately \$0.85 of Year 1 EPS dilution.

Downside Scenarios

Three scenarios are modelled against a common baseline: IBM standalone adjusted EBITDA of ~\$19.2bn (FY2025), post-acquisition net debt of \$57.8bn (\$61.3bn total debt less \$14.5bn cash, plus \$11bn Confluent consideration), and IBM FY2025 FCF of \$14.7bn as the debt paydown capacity. Base-case leverage on a combined IBM-plus-Confluent basis is approximately 3.0x — already at the lower bound of investment-grade credit concern for a technology issuer at IBM's rating level.

Scenario A – Synergy Shortfall (50% Realisation): Integration friction delays cost synergies by 12–18 months and revenue cross-sell synergies slip as IBM's teams require retraining. At 50% realisation, Year 1 EBITDA accretion is missed or marginal — combined EBITDA falls to ~\$19.0bn and FCF accretion slides into Year 3. IBM's \$14.7bn FCF provides meaningful insulation, but leverage remains at ~3.0x through Year 2 rather than declining as guided. The Red Hat integration, which took ~12–18 months to stabilise operationally, is the benchmark for this delay assumption.

Scenario B – Revenue Growth Deceleration (10–12%): A subset of Confluent's 6,500 enterprise customers migrates to AWS MSK or Redpanda post-acquisition. Against Confluent's FY2025 revenue of \$1.167bn at 21% growth, decelerating to 10–12% implies Year 1 revenue of ~\$1.28–1.30bn versus a base-case ~\$1.41bn — a delta of ~\$110–130m. At Confluent's ~9% non-GAAP operating margin, the direct EBITDA impact is ~\$10–12m, reducing combined EBITDA to ~\$19.1bn and keeping leverage at ~3.0x. The more significant effect is the signal sent to investors about IBM's ability to maintain Confluent's growth premium post-acquisition.

Scenario C – Combined Stress: Applying both adverse assumptions — 50% synergy realisation and 10–12% Confluent revenue growth — compresses combined EBITDA to ~\$18.8bn, pushing leverage to ~3.1x. With FCF modestly reduced to ~\$14.3bn on lower Confluent cash generation, the deleveraging trajectory is materially slower: Year 1 EBITDA accretion is missed and FCF accretion slides to Year 4 or beyond. At 3.1x, IBM exceeds the threshold that typically draws negative credit agency commentary, and the risk of a one-notch downgrade from A-/A3 becomes a prevalent consideration. IBM's \$14.7bn FCF base remains a significant buffer, but the combination of elevated leverage and missed guidance commitments in Year 1 would represent a reputationally costly outcome.

Metric	Base Case	A: 50% Synergies	B: Revenue Decel.	C: Combined
Confluent Revenue Growth (Yr 1–2)	~20–22%	~20–22%	~10–12%	~10–12%
Synergy Realisation (Yr 1–3)	100%	50%	100%	50%
Pro Forma EBITDA (IBM + Confluent)	~\$19.3bn	~\$19.0bn	~\$19.1bn	~\$18.8bn
Post-Acquisition Net Debt	\$57.8bn	\$57.8bn	\$57.8bn	\$57.8bn
Net Debt / EBITDA (post-close)	~3.0x	~3.0x	~3.0x	~3.1x
vs. Investment-Grade Threshold (~3.0–3.5x)	At threshold	At threshold	At threshold	Approaching concern
IBM FY2025 FCF (debt paydown capacity)	\$14.7bn	\$14.7bn	~\$14.5bn	~\$14.3bn
FCF Accretion Timeline	Year 2	Year 3	Year 3	Year 4+
EBITDA Accretion (Yr 1)	Yes	Marginal	Yes	Miss

Final Assessment

IBM's acquisition of Confluent is strategically compelling. The transaction closes the single most significant gap in IBM's hybrid cloud and AI stack, the absence of a commercial-grade, real-time data streaming layer, and does so by acquiring the market's dominant independent platform rather than attempting to replicate it organically. The addition of Confluent's Kora engine, 6,500-strong enterprise client base, and 90%-plus gross retention profile to IBM's existing Red Hat, HashiCorp, and Watsonx infrastructure completes an end-to-end data and AI platform that no hyperscaler can replicate on a vendor-neutral basis. For IBM's core client base in regulated industries, banking, government, and healthcare, where multi-cloud operability and data sovereignty are structural requirements rather than preferences, this is a materially stronger competitive proposition than existed twelve months ago.

The financial terms are defensible, though not without tension. IBM's \$31.00 offer implies 11.6x LTM revenue, a 34% premium to the peer median and a 35% premium to Confluent's undisturbed share price. The DCF framework produces a standalone valuation of approximately \$9.10, reflecting Confluent's pre-profitability status and the back-loading of cash flows beyond the five-year forecast window. However, the DCF is not the appropriate primary anchor here. Comparable transaction multiples for high-growth infrastructure assets support a price in the upper band of the CCA range, and the \$31.00 offer sits within that range. The control premium is consistent with precedent. The strategic value of acquiring the leading Kafka platform before a hyperscaler did, with Confluent reportedly in play and competing interest from both technology firms and private equity, justifies a premium above what a standalone DCF would suggest.

The balance sheet impact is contained. Post-acquisition net leverage of approximately 3.0x sits at the lower bound of investment-grade credit concern but is supported by IBM's \$14.7bn FCF, the strongest in over a decade, and a credible deleveraging trajectory that crosses the 2.5x comfort threshold by Year 2 in the base case. EBITDA accretion in Year 1 and FCF accretion from Year 2 are achievable under base-case assumptions, though both targets leave limited room for execution error.

The risks are real and should not be understated. Integration execution is the principal concern; IBM must replicate the Red Hat model of operational independence and cultural autonomy while simultaneously rationalising Confluent's product positioning against IBM Event Streams and MQ. Open-source ecosystem sentiment represents a structural tension that IBM's 25-year open-source history mitigates but does not eliminate. Hyperscaler competitive response, particularly from AWS MSK and Azure Event Hubs, will intensify, and any perception that Confluent's multi-cloud neutrality is compromised under IBM ownership will accelerate customer evaluation of alternatives. In the combined stress scenario, where synergy realisation reaches only 50% and Confluent's revenue growth decelerates to 10–12%, leverage rises to 3.1x and FCF accretion slides to Year 4 or beyond, a reputationally costly outcome that would attract negative credit agency commentary.

On balance, the transaction is the right strategic move at a full but justifiable price. IBM has acquired a critical capability at a moment when real-time data infrastructure is becoming the foundational layer for enterprise AI and has done so before a hyperscaler could. The financial risk is manageable provided integration is executed with the discipline IBM demonstrated at Red Hat. The synergy case is conservative enough to be credible, and the deleveraging path is supported by a FCF base that gives IBM meaningful insulation against execution shortfall. The verdict is positive, with the caveat that the margin for error in Year 1 is narrow and the market will be watching IBM's integration track record closely.

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Disclosure

This report was prepared by Elphinstone Research Group for academic and educational purposes only. The author does not hold financial interest in any associated party.

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